



Required Report - public distribution

Date: 8/14/2000

GAIN Report #EG0025

Egypt

Poultry and Products

Annual

2000

Prepared by:

Thomas Pomeroy

U.S. Embassy, Cairo

Drafted by:

Hassan Ahmed & Sherif Ibrahim

Report Highlights:

Total Egyptian poultry meat production in 1999 increased by about 20 percent but is expected to decline by 3.4 percent in 2000. In January 2000, the Ministry of Agriculture reduced the number of import licence for importation of grandparent stock chicks. The Egyptian ban on chicken parts importation and high duties on whole birds imports, continue to block the sales of U.S. poultry meat.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Cairo [EG1], EG

| | |
|----------------------------------------|-----------------------------|
| Inputs | Page 2 of 8 |
| FEED DEMAND | |
| STRATEGIC INDICATOR TABLES FOR (EGYPT) | |
| | Page 3 of 8 |
| Prices | Page 4 of 8 |
| CONSUMPTION | Page 4 of 8 |
| Trade/Customs Duties | Page 4 of 8 |
| U.S. Marketing Prospects | Page 5 of 8 |
| PSD Table | Page 6 of 8 |
| PSD Table | Page 7 of 8 |

PRODUCTION

Total Egyptian poultry meat production in 1999 is estimated at 600,000 MT, an increase of about 20 percent from 1998. This increase in production was mostly due to the heavy influx of parent-stock chicks imports in 1998 (increased by over 50 percent). Poultry production in 1998 was affected by leucosis in a significant part of the flocks as well as a long heat wave during the summer of that year but conditions improved in 1999. In 2000, total poultry meat production is projected to decline 3.4% from the 1999 level. This decline is mainly attributed to the collapse of farm gate prices during most of 1999 and the first half of 2000, causing many small farms to close down in late 1999 and early 2000. Poultry production in 2001 is forecast to rebound and reach the 1999 level.

About 70 percent of Egypt's broilers production (500,000 MT) comes from fairly large modern poultry operations. The remainder comes from small farms and village flocks. In addition to broiler production, there are about 40,000 MT of old hens, 15 large private sector duck farms producing an estimated 15,000 MT of duck meat and five turkey farms producing about 7,000 MT of turkey meat annually.

Industry experts indicate that, at the current production level of 600,000 MT, poultry production has reached its optimal level under which demand could be sustained without reducing prices. The reason for this is the lack of slaughter houses and cold stores. There are only 4 modern slaughter houses and very few cold stores currently operating in Egypt. Reportedly, total capacity of both slaughter houses and cold stores can only handle about 25 percent of total production. Most of poultry production is marketed live.

Inputs

The production of the day old baby chicks for broilers in Egypt is mostly controlled by four local grandparent companies. There are several importers of parent stock operating under a system of import licenses issued by the Ministry of Agriculture which determines the market needs each year. Imports of day-old chicks are not allowed in Egypt. Production levels of chicks have been fluctuating in the last several years. A year of high prices and shortage of day old baby chicks is always followed by a year of high imports of grandparents stocks, excessive production and low prices of day old baby chicks. In 1999, the broiler industry was characterized by an oversupply of baby chicks and low prices for imported corn and soybean meal. Consequently, broiler production increased significantly and prices fell to levels below production cost in some areas. The prices of day old baby chicks also declined sharply, from their normal levels of LE 1.2/chick to about LE 0.30/chick. As a result, the Ministry of Agriculture started in January 2000 to reduce the importation of grandparent stock. The monthly import rate of grandparent stocks is currently about 45,000 chicks, compared to 200,000 chicks before January 2000.

| Years | Local production (chick) | G/parent stocks Imports (chick) |
|-------|------------------------------|------------------------------------|
| 1997 | 4,300,000 | 2,220,000 |
| 1998 | 5,990,000 | 3,430,000 |
| 1999 | 5,000,000 | 1,576,800 |
| 2000 | 5,000,000 | 500,000 |

Imports of other inputs such as yellow corn and soybean meal increased significantly in 1999. Imports of yellow corn increased from 4.3 MMT in 1998 to 4.5 MMT in 1999, while soybean meal also increased from 683,000MT in 1998 to 806,000 MT in 1999. For 2000, imports of both yellow corn and soybean meal are expected to be lower than the 1999 levels. This decline is mostly attributed to a slow down in poultry production in the second half of 2000 following the financial losses that poultry producers suffered in 1999 and the first half of 2000.

FEED DEMAND

STRATEGIC INDICATOR TABLES FOR (EGYPT)

MEAT PRODUCTION

| Calendar Year | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|-----------------------|-------------|-------------|-------------|-------------|
| Poultry meat (000,MT) | 500 | 600 | 580 | 600 |

COMPOUND FEED SECTOR

| Calendar year | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|----------------------------------------------|-------------|-------------|-------------|-------------|
| Total Compound Feed Produced (million MT) | 1.80 | 1.75 | 1.70 | 1.65 |

FEED GRAIN USE

| Marketing year | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|--------------------------------|-------------|-------------|-------------|-------------|
| Corn Domestic Consumption(MMT) | 10.04 | 10.19 | 10.20 | 10.25 |

PROTEIN-ENERGY USAGE

| Marketing year | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|-----------------------------|-------------|-------------|-------------|-------------|
| Total Protein Meal (000 MT) | 1045 | 1108 | 1158 | 1160 |
| Soybean Meal (000 MT) | 760 | 820 | 880 | 900 |

TRADE MT

| Calendar year | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|------------------|-------------|-------------|-------------|-------------|
| Corn | | | | |
| Imports (M MT): | 4.34 | 4.50 | 4.40 | 4.45 |
| Soy Bean Meal | | | | |
| Imports (000 MT) | 620 | 760 | 550 | 600 |

Fish Meal

| | | | | |
|------------------|-----|-----|-----|-----|
| Imports (000 MT) | 16 | 37 | 25 | 25 |
| Palm Crude Oil | | | | |
| Imports (000 MT) | 311 | 325 | 330 | 335 |

Prices

During the first half of 1999, farm gate prices were near break even costs (LE 4.2/Kg). With price increases of imported corn and soybean during the second half of 1999 and first half of 2000, farm gate prices for broilers declined to a level below production cost in some areas and a number of small producers went out of production or reduced the number of birds in their production cycles. In July 2000 farm gate prices for broilers started to improve reaching LE 4.4/Kg live weight.

Prices of corn and soybean meal during the first half of 1999 averaged LE 400 and LE 650 per MT, respectively, compared to LE 450 and LE 700 per MT in the second half of 1999. Both corn and soybean meal prices increased during the first half of 2000 to LE 480 and LE 980/ MT respectively.

CONSUMPTION

Despite consumer preference for red meat, the demand for chicken in 2000 is relatively strong and fairly price inelastic. A recent health concern, due to the apparently incorrect rumor that humans could be affected by infections of beef cattle with the "Three days fever" across the country has caused a reduction in beef consumption and increased demand for chicken and other poultry meat. Consumers clearly prefer fresh, whole broilers to frozen birds and parts. About 30 percent of chicken production is marketed frozen and around 70 percent is sold live. Egyptian consumer demand for poultry meat fluctuates seasonally, and usually does not react to changes in price changes partly because red meat prices remain far above any normal range of poultry prices. However, a general economic slowdown during the last year may have had a negative impact on demand for poultry.

Fast food chicken restaurants have become popular in Egypt, creating demand for ready to eat chicken and chicken nuggets. Increasing prices for red meat in recent years relative to poultry have contributed to the gradual increase in poultry consumption. A few large companies produce processed products such as cuts or cooked chicken, chicken nuggets and chicken sausage mostly consumed locally. Turkey meat consumption is estimated at about 7,000 MT, almost all from local production. There are about 100 MT of processed turkey products (turkey ham, turkey pastrami, smoked turkey) imported by a few tourist hotels in Egypt.

Trade/Customs Duties

There is little trade in consumer-ready poultry products - except for a very small quantity of imported turkey meat. One Egyptian company exports a small quantity of chicken nuggets to related fast food franchises in neighboring Arab countries.

The ban on poultry meat imports for whole birds was lifted in July 1997, but no regular commercial imports of

chicken have taken place since. This is because the Egyptian government placed an 80 percent tariff (plus additional charges of about 4 percent) on imported frozen poultry and poultry products, based on a minimum reference price of \$1,500/MT. Although an agreement to phase down customs tariffs on poultry was supposed to lead to a reduction from 80 percent to 70 percent on whole birds in 1998 officials from Ministry of Supply have stated that customs duty remains at 80 percent as of July 2000. Imports for the Egyptian army fall outside normal restrictions. The army reportedly contracted for 2,000 MT of frozen poultry from Brazil in 1999 at a price of \$1,400 CIF and a reduced customs duty.

U.S. Marketing Prospects

U.S. Export of whole birds are not competitive in the Egyptian market with 80 percent or even at 70 percent duty. U.S. chicken legs could be highly competitive, but the Government continues to ban chicken parts due to religious concerns (supposedly due to disagreements with the Halal slaughtering methods used in the United States and/or uncertainty that chicken parts came from birds slaughtered in accordance with Islamic principles). Even in absence of the religious concerns, the Egyptian industry would strongly oppose importation of very low cost chicken legs. There seems to be a possibility for expanding sales of US turkey meat although the market is tiny relative to chicken.

In addition to the high duties on whole birds and the ban on chicken parts, U.S. chicken exports face an additional problem with moisture content. The Egyptian specification on the maximum moisture content of frozen poultry is 5 percent, a ridiculously low level that is not enforced . The US poultry industry and the U.S. government continue to explore possibilities for reducing Egyptian trade barriers in poultry.

| | | | | | | |
|-----------------------------|----------------------|---------|-----|---------|-----|---------|
| PSD Table | | | | | | |
| Country: | Egypt | | | | | |
| Commodity: | Poultry, Meat, Total | | | | | |
| | | 1999 | | 2000 | | 2001 |
| | Old | New | Old | New | Old | New |
| Calendar Year Begin | | 01/1999 | | 01/2000 | | 01/2001 |
| Inventory (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Slaughter (Reference) | 520 | 600 | 540 | 580 | 0 | 600 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 520 | 600 | 540 | 580 | 0 | 600 |
| Whole, Imports | 2 | 2 | 2 | 4 | 0 | 5 |
| Parts, Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 2 | 2 | 2 | 4 | 0 | 5 |
| TOTAL SUPPLY | 522 | 602 | 542 | 584 | 0 | 605 |
| Whole, Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Parts, Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Human Consumption | 522 | 602 | 542 | 584 | 0 | 605 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 522 | 602 | 542 | 584 | 0 | 605 |
| TOTAL Use | 522 | 602 | 542 | 584 | 0 | 605 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 522 | 602 | 542 | 584 | 0 | 605 |
| Calendar Yr. Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | |
|-----------------------------|-----------------------------|---------|-----|---------|-----|---------|
| PSD Table | | | | | | |
| Country: | Egypt | | | | | |
| Commodity: | Plty, Meat, Chicken -16 wks | | | | | |
| | | 1999 | | 2000 | | 2001 |
| | Old | New | Old | New | Old | New |
| Calendar Year Begin | | 01/1999 | | 01/2000 | | 01/2001 |
| Inventory (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Slaughter (Reference) | 450 | 500 | 470 | 480 | 0 | 500 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 450 | 500 | 470 | 480 | 0 | 500 |
| Whole, Imports | 2 | 2 | 2 | 4 | 0 | 5 |
| Parts, Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 2 | 2 | 2 | 4 | 0 | 5 |
| TOTAL SUPPLY | 452 | 502 | 472 | 484 | 0 | 505 |
| Whole, Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Parts, Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Human Consumption | 452 | 502 | 472 | 484 | 0 | 505 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 452 | 502 | 472 | 484 | 0 | 505 |
| TOTAL Use | 452 | 502 | 472 | 484 | 0 | 505 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 452 | 502 | 472 | 484 | 0 | 505 |
| Calendar Yr. Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |